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## BY E-MAIL AND WEB POSTING

March 31, 2011

To: All Licensed Electricity Distributors  
All Participants in Consultation EB-2010-0249  
All Other Interested Parties

Re: **Electricity Distribution System Reliability Standards  
Staff Report to the Board  
Board File No.: EB-2010-0249**

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The Board has today posted on its web site a Board Staff Report to the Board on Electricity Distribution System Reliability (the “Staff Report”). The Staff Report documents the recent consultation on the development of electricity distribution system reliability standards and sets out Board staff’s recommendations to the Board.

### **Background**

By letter dated August 23, 2010, the Board invited interested parties to participate in a consultation process regarding the further development of regulatory requirements associated with electricity distribution system reliability. As noted in the letter, through this initiative the Board intends to establish regulatory requirements that will reinforce and strengthen the responsibility of distributors to provide reliable delivery of electricity to all Ontario customers.

The consultation comprised: (i) the review of existing practice in Ontario regarding the collection and use of system reliability performance information by distributors; (ii) the issuance of reports detailing the results of consumer and jurisdictional research conducted by consultants retained by the Board for that purpose; (iii) a stakeholder conference; and (iv) the filing of written comments on the issues discussed at the stakeholder conference.

Details of the consultation are set out in the Staff Report, and all materials relating to this consultation are available on the Board's website.<sup>1</sup>

### **The Board's Approach and Next Steps**

The Board remains committed to the codification of system reliability measures and performance targets, in keeping with its objective of protecting the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service. Codification of system reliability standards will ensure that distributors maintain an appropriate focus on service quality and on areas where capital investment and improved asset management are most needed. It would also address stakeholder concerns regarding declining reliability and regarding the potential for incentive regulation to provide opportunities to maximize profit at the expense of customer service.

The Board agrees with the staff observations and accepts the staff recommendations set out in the Staff Report, and has concluded that further consultations are warranted as a next step towards the implementation of electricity distribution system reliability standards. These consultations will focus on:

- (i) resolving issues relating to the quality and consistency of reliability data gathered and reported by distributors; and
- (ii) understanding the practical or other implementation issues associated with the introduction of the new elements recommended in the Staff Report (normalization of data, causes of outages, customer specific measures and performance targets, and a "Worst Performing Circuit" measure), and identifying the means by which those issues can best be resolved.

The Board expects that these further consultations will begin in the summer of 2011 and be completed before year end. Details of the consultations will be made available in the near term.

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<http://www.oeb.gov.on.ca/OEB/Industry/Regulatory+Proceedings/Policy+Initiatives+and+Consultations/System+Reliability+Standards>

Any questions regarding the further consultations should be directed to Paul Gasparatto at [paul.gasparatto@ontarioenergyboard.ca](mailto:paul.gasparatto@ontarioenergyboard.ca) or at 416-440-7724. The Board's toll free number is 1-888-632-6273.

Yours Truly,

Original signed by

Kirsten Walli  
Board Secretary